



# Audit of the Alumni Program and Engagement of Former Public Servants

Office of Audit and Ethics

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## Executive Summary

### Background

Like most organizations, the CNSC sometimes needs to supplement its full-time workforce with additional short-term resources to deliver on its mandate. The traditional mechanisms are hiring and appointing individuals to term positions or issuing professional services contracts.

In response to its 2009 growth rate as well as the projected attrition rate, the CNSC introduced the Alumni Program in addition to the traditional mechanisms of hiring and appointing.

The objectives of the Alumni Program are to have a ready source of tested skills and talent available for short-term organizational needs, to support succession planning, and to facilitate the knowledge transfer across the organization.

The Alumni Program was implemented on April 1, 2009. As of December 2013, the CNSC had spent \$2.35 million on the short-term engagement of former public servants (FPS). Of this amount, \$1.2 million was spent on 62 term appointments under the Alumni Program, and \$1.15 million was paid under 47 contracts with FPS. As of March 2014, the Alumni Program inventory included the resumes of 57 retired CNSC employees.

As a separate employer, the CNSC is not required to follow the *Public Service Employment Act* or its related regulations. The Alumni Program operates under the CNSC staffing policy framework, and the CNSC's contracting of alumni and engagement of FPS is governed by the *Treasury Board Contracting Policy* and the *Government Contracts Regulations*.

The Audit of the Alumni Program and Engagement of FPS was identified in the 2014–17 Risk-Based Audit Plan.

The audit was conducted by the Office of Audit and Ethics (OAE) in accordance with the *Internal Auditing Standards for the Government of Canada*.

### Objective, scope and approach

The objectives of the audit were to:

1. determine and provide assurance that the Alumni Program was designed and used to support knowledge transfer and address temporary work needs, according to the original objectives of the program
2. determine and provide assurance that the CNSC's engagement of FPS, including CNSC alumni, was in compliance with relevant legislation and policies

The audit was conducted between September 2014 and September 2015. The audit was put on hold from January 2015 until April 2015 because of operational requirements.

The scope included the examination of CNSC staffing files for alumni employment from November 30, 2012 to November 30, 2014, and the contracts awarded to FPS from April 1, 2010 to November 30, 2014.

The audit team:

- interviewed key staff responsible for the CNSC's engagement of alumni and FPS
- reviewed relevant documentation
- conducted testing of staffing files for alumni employment and contracts with FPS
- assessed controls meant to ensure that the CNSC's engagement of FPS complies with relevant legislation and policies

The audit ensured compliance with the relevant policies through interviews with key CNSC representatives and the examination of relevant documents.

The audit findings represent the processes and practices in place for:

- a. contracts with FPS from April 1, 2010 to November 30, 2014
- b. the Alumni Program staffing files from November 30, 2012 to November 30, 2014

Audit findings were discussed with CNSC management before they were finalized.

## Summary of observations

- **Program objectives and reporting**

The Alumni Program is successfully meeting one of its objectives as a source of temporary human resources. With regard to facilitating knowledge transfer, specific, measurable objectives were not consistently documented on file nor reported against at the end of the engagement. The CNSC should undertake an assessment of the Alumni Program to ensure it is monitoring and achieving all of its objectives.

- **Governing directives and procedural guidance**

The CNSC has developed policies, directives, guidelines and instructions that cover activities related to hiring FPS. While the organization is currently in alignment with Treasury Board Secretariat policies and procedures, the suite of directives, guidelines and other reference documents related to FPS should be regularly reviewed and updated to maintain alignment.

- **Conflict of interest**

The CNSC is a separate employer and is not covered by the Treasury Board Secretariat's *Policy on Conflict of Interest and Post-Employment*. Internally, the CNSC developed a conflict of interest (COI) policy and a revised COI form in 2012. The *CNSC Directive on Reporting and Managing Financial Conflicts of Interest* includes a list of prohibited securities, which has not been updated since July 2012. It should be updated annually to reflect relevant changes to the nuclear sector.

- **Alumni Program participant selection**  
Hiring managers currently select Alumni Program participants who they believe are best suited to job requirements. Over and above the necessary qualifications and security requirements, selection is based on a program participant's past demonstrated performance and current organizational fit. For transparency and fairness, the CNSC should include rationales for the selection of a particular program participant on file, and take appropriate action to ensure a reasonable distribution of work among its alumni.
  
- **Compliance and documentation**  
The CNSC has both staffing and contracting files that help support its decision making. Information that substantiates the qualifications of an alumni hire is housed electronically in different places (e.g., staffing files, external databases) with a checklist used to confirm its existence. The CNSC should ensure that the necessary documentation is effectively and efficiently referenced to demonstrate transparency, and to appropriately substantiate its decision-making process.

These findings and recommendations have been communicated to the CNSC's Human Resources Division and Contract Management Services. Action plans addressing the audit's recommendations are included in the body of the report and in appendix B.

### **Overall conclusion**

The CNSC has an established management framework in place, designed to promote general oversight, accountability, risk management and control over its hiring through its Alumni Program and engagement of FPS through contracts. There are opportunities to strengthen existing controls, as well as to update, augment and enhance the level of documentation to capture key elements of the decision-making process.

It is recommended that appropriate actions be taken to ensure that the audit recommendations are addressed to strengthen the internal controls and ensure fairness, transparency, accountability and avoid the perception of favoritism.

The audit team would like to acknowledge and thank management and staff for their support throughout the conduct of this audit.

## 1. Introduction

### 1.1. Background

Like most organizations, occasionally the CNSC is required to supplement its full-time workforce with additional short-term resources to deliver on its mandate. In the Government of Canada, there are two traditional tools available to engage human resources for short-term periods: hiring and appointing an individual to a term position, or issuing a professional services contract.

For many years, the CNSC has used these two tools to engage individuals for short-term requirements, including individuals that had previously worked at the CNSC or elsewhere in the federal public service. In 2009, in response to the organization's growth rate and the increase in projected retirements from its existing workforce, the CNSC developed the Alumni Program as an additional tool to meet immediate and temporary staffing needs.

The objectives of the Alumni Program are to have a ready source of tested skills and talent available for short-term organizational needs, to support succession planning, and to facilitate knowledge transfer across the organization. Two key elements of the Alumni Program include an inventory of retired CNSC employees who are interested in and available for short-term work (less than six months), and a simplified staffing process to facilitate hiring from the alumni inventory.

The Alumni Program was implemented on April 1, 2009. As of December 2013, the CNSC had spent \$2.35 million on the short-term engagement of former public servants (FPS). Of this amount, \$1.2 million was spent on 62 term appointments under the Alumni Program, and \$1.15 million was paid under 47 contracts with FPS. As of March 2014, the Alumni Program inventory included the resumes of 57 retired CNSC employees.

The CNSC is a separate employer that operates pursuant to its own staffing policy framework, which includes the Alumni Program. As a separate employer, it is not required to follow the *Public Service Employment Act*, or its related regulations. Responsibility for implementing and administering the Alumni Program resides with the CNSC's Human Resources Directorate (HRD).

The CNSC's contracting activities are governed by the Treasury Board *Contracting Policy* and the *Government Contracts Regulations*. The requirements for contracting with FPS in receipt of a pension or a lump sum amount are specified in the *Treasury Board Contracting Policy*. Within these government-wide requirements, the CNSC's *Contracting Policy* describes the CNSC's contracting related process and procedures. Responsibility for contracting activities with FPS resides with the Accounting, Controls and Contract Management Division in the FAD.

## **1.2. Authority**

The CNSC president approved the audit of the Alumni Program and Engagement of FPS as part of the CNSC's 2014–17 Risk-Based Audit Plan.

## **1.3. Objectives and scope**

The objectives of the audit were to:

1. Determine and provide assurance that the Alumni Program was designed and was used to support knowledge transfer and address temporary work needs according to the original objectives of the Program.
2. Determine and provide assurance that the CNSC's engagement of FPS, including CNSC Alumni, was in compliance with relevant legislation and policies.

The audit was conducted between September 2014 and September 2015. The audit was interrupted and put on hold from January 2015 until April 2015 because of operational requirements.

The scope included the examination of CNSC staffing files for alumni employment from November 30, 2012 to November 30, 2014, and the contracts awarded to FPS from April 1, 2010 to November 30, 2014.

## **1.4. Analysis of risks**

During the audit's planning phase, a risk assessment was conducted. The assessment consisted of interviews with key stakeholders as well as an examination of relevant documentation. The OAE team assessed and ranked each of the potential risks identified. The audit examination then focused on the most relevant and significant risks.

The initial risk assessment identified potential areas of risks and gaps in the CNSC's strategic direction, governance, risk management and internal controls for the engagement of FPS.

Compliance with relevant staffing and contracting policies, management, accountability, staffing, and reporting in the context of a fast-track system should be well documented and pass scrutiny. These are deemed potential risks.

The audit examination focused on the most relevant and significant risks, as follows:

1. the engagement of retired employees, whether CNSC alumni or other FPS, may not conform to all relevant staffing and contracting policies
2. the mechanisms to measure, monitor and report on Alumni Program results may not be adequate or effective in assessing if the program's original objectives have been met

## **1.5. Audit criteria**

Appendix A lists the lines of enquiry and related audit criteria used to achieve the audit objectives.

## **1.6. Approach and methodology**

The audit team:

- interviewed key staff responsible for the CNSC's engagement of alumni and FPS
- reviewed relevant documentation
- conducted testing of staffing files for alumni employment and contracts with FPS
- assessed the controls used for ensuring that the CNSC's engagement of FPS comply with relevant legislation and policies

The audit findings represent the processes and practices in place as of September 2015, and were discussed with CNSC management before they were finalized.

## **1.7. Statement of conformance**

Sufficient and appropriate audit procedures have been conducted and evidence gathered to support the accuracy of the findings and conclusions in this report and to provide an audit level of assurance. The findings and conclusions are based on a comparison of the conditions, as they existed at the time of the audit, against pre-established audit criteria that were agreed on with management. These findings and conclusions apply only to the entity examined and for the scope and time period covered by the audit.

This audit conforms to the *Internal Auditing Standards for the Government of Canada*, as supported by the results of the OAE quality assurance and improvement program.

# **2. Audit Observations and recommendations**

## **2.1 Line of enquiry #1: Engagement of retired employees complies with relevant policies**

To assess the management control framework overseeing the utilisation of FPS at CNSC, the audit examined governing directives and procedural guidelines, roles and responsibilities, control environment, management control and oversight, and compliance with governing directives.



**2.1.1. The alumni program has clearly defined guidelines and procedures that are aligned with CNSC staffing policy, and, as necessary, Treasury Board contracting policies.**

The audit examined the extent to which governing directives and guidelines are in place, adequate, and functioning as intended. The audit identified relevant sources of legislation, Treasury Board-mandated directives, and CNSC directives and guidelines for the employment of FPS. The Treasury Board -mandated directives were compared to CNSC directives, and guidelines were examined to assess alignment and completeness.

**The Alumni Program has clearly defined guidelines and procedures.**

The CNSC is a separate employer, and is not subject to the *Public Service Employment Act*. The CNSC Alumni Program has defined and adequate guidelines and procedures, which are posted on the intranet (BORIS). The documents include the “*CNSC Alumni Program*” which describes the basic elements of the Alumni Program and the procedures involved, and the “*CNSC Alumni Program questions and answers*”, which describes key attributes of the Alumni Program, such as eligibility, the application process and the impact on retired employees’ pension under the *Public Service Superannuation Act*.

**The guidance procedures are aligned with CNSC staffing policy and the Treasury Board Contracting Policy and related regulations. The alignment of guidance procedures is periodically assessed.**

The CNSC, as a separate employer, has established its staffing procedures. The CNSC staffing policy framework guides all resourcing decisions and actions including the use of the Alumni Program to source short term and temporary needs. In discussion with HRD management and through an examination of the staffing policies, procedures and staffing files, the audit did not find any misalignments between Treasury Board and CNSC policies.

CNSC contracting is governed by the *Treasury Board Contracting Policy* and the *Government Contracts Regulations*. The requirements for contracting with FPS in receipt of a pension or a lump sum amount are specified in the *Treasury Board Contracting Policy*. Within these government-wide requirements, the CNSC's *Contracting Policy* describes the CNSC's contracting-related processes and procedures. In discussion with Contract Management Services, through an examination of the policies and procedures, and through an assessment of the contracting files, the audit found no instances of CNSC policy misalignment with the Treasury Board policy titled *Contracting with Former Public Servants*, nor with select relevant sections in the *Treasury Board Contracting Policy*<sup>1</sup>.

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<sup>1</sup> Relevant FPS sections in the *Treasury Board Contracting Policy* are as follows: 4.1.9; 4.2.20; 5.1.6; 10.7.13.b; 11.2.8 (b, c, and d); 16.1.6; 16.5.8; 16.8; and Part I of Appendix C.

The CNSC's Contract Management Services has informed the OAE that contracting procedures and processes are amended in a timely manner to comply with regular Treasury Board contracting policy notices. The audit found that while Contract Management Services regularly updates its contracting procedures and processes, it had not completed a review of its overarching *Contracting Policy* since April 2013. The audit also found that a Finance and Administration Directorate (FAD) policy review plan, included in FAD's strategic plan approved by MC, included a commitment to complete a review of the *Contracting Policy* in fiscal year 2015–16. FAD indicated that it has recently begun this task and expects to complete it by the end of the fiscal year 2015–16.

Regular comprehensive reviews of the CNSC's *Contracting Policy* are necessary to ensure that it is current and aligned with Treasury Board policies. These reviews will also ensure that all Treasury Board requirements are well understood and adequately applied to CNSC systems, and that reporting requirements are submitted accurately and on time.

**Recommendation #1:**

It is recommended that the Accounting, Controls and Contract Management Division of FAD ensures:

- a. that the review of the contracting policy is undertaken according to the FAD plan to ensure modifications are made and implemented on a timely manner
- b. that the TB policy elements are integrated into the CNSC relevant policies and/or guidelines

**Management response and action plan**

FAD agrees with the recommendation.

The audit found no instances of policy misalignment with TB policy titled Contracting with Former Public Servants as well as select relevant sections in the Treasury Board Contracting Policy.

- a. As mentioned in this report, FAD is currently reviewing and updating the CNSC Contracting Policy  
Completion date: March 31, 2016
- b. This review will also ensure that mandatory requirements of TB policy are integrated into relevant CNSC Contracting Management Services policy and guidance documents  
Completion date: October 31, 2016

## Conflict of interest

The CNSC has a policy on conflict of interest (COI)<sup>2</sup>, which was last revised in 2012. Following the policy update, all employees were asked to sign a revised COI form. An annual or periodic revision of the COI form is currently not required, unless an individual's situation changes and requires a self-declaration to disclose new information to CNSC.

Currently, CNSC employees (indeterminate, term) are prohibited from owning shares in specific companies. The CNSC *Directive on Reporting and Managing Financial Conflicts of Interest* includes a list of prohibited securities and became effective in July 2012. The list of the prohibited securities has not been updated since then, so there is a risk that deemed prohibited securities are not included and that a COI is currently present in individuals' financial portfolios. The CNSC should consider assessing and updating the list of prohibited securities.

During the audit, the audit team was informed that the CNSC's bid solicitation and contractual clauses were updated in April 2013. This was to incorporate applicable clauses that Public Works and Government Services Canada uses in its templates and standard acquisition clauses and conditions. It was noted that the CNSC-specific COI contract clauses have not been compared to the *CNSC Conflict of Interest and Post-Employment Policy*. A review of the clauses with the COI requirements should be considered, to ensure ongoing harmonization and to avoid situations of conflict of interest.

### Recommendation #2:

It is recommended that:

- a. the OAE updates the list of prohibited securities Directive on a regular basis (e.g., annually)
- b. the Accounting, Controls and Contract Management Division of FAD conducts a review of the COI clauses with the bid solicitation and contracting clauses to ensure ongoing alignment with COI policy and avoid situation giving rise to a conflict of interest

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<sup>2</sup> The *CNSC Values and Ethics Code* and *CNSC Conflict of Interest and Post-Employment Policy* can be found at [nuclearsafety.gc.ca/eng/about-us/values-and-ethics](http://nuclearsafety.gc.ca/eng/about-us/values-and-ethics).

## Management response and action plan

- a. OAE agrees with the recommendation to have the list of prohibited securities Directive updated by March 31, 2016. It will then be updated by March 31 of each subsequent year
- b. FAD agrees with the recommendation

FAD conducted a review of its bid solicitation and contracting clauses in 2013 *and in collaboration with the Office of Audit and Ethics aligned them with the last revision of CNSC Policy on Conflict of Interest (COI) requirements as updated in 2012.*

In collaboration with the Office of Audit and Ethics, FAD commits to the conduct of a review of the CNSC specific COI bid solicitation and contracting clauses by the end of June 2016 to ensure alignment with relevant TB and CNSC's Policy on COI.

### **2.1.2. Management controls are effective in ensuring CNSCs engagement of former public servants complies with CNSC staffing policy and CNSC and TB contracting policies.**

The audit examined the extent to which internal controls are in place, approved and communicated to staff to ensure that the hiring of alumni or FPS term employees or contractors is managed appropriately. The audit identified guidelines, policies and procedures, roles and responsibilities, and accountabilities covering the complete hiring process, and assessed the staffing files and contracting files.

#### **Alumni hiring is conducted consistently with the CNSC staffing policy framework.**

Occasionally, the CNSC is faced with work requirements that necessitate short-term assistance. The hiring of FPS, in particular CNSC alumni, allows for quicker integration and a reduced learning curve. This translates into more efficient deployments to occasional and often short-term assignments compared to a new hire not familiar with the CNSC organization, culture, facilities and current employees.

The Alumni Program is based on a system of values, fairness and transparency according to HRD management. Every former CNSC employee is given the opportunity to join the Alumni Program.<sup>3</sup> Hiring managers are currently allowed to select individuals from the alumni pool who they feel are best suited to the required work. There is a risk that the current methodology, which provides the hiring manager with the discretion to select the candidate(s) to fill a posting from the Alumni Program, may be seen as providing preferential treatment to a specific pool of individuals. To avoid such a situation, the CNSC should

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<sup>3</sup> Approximately 57 registered CNSC retirees were members of the Alumni Program, as of October 2015.

ensure that the selection process is adequately documented to demonstrate that a qualified candidate, who best meets organizational needs, has been selected objectively, from the pool.

The audit also found that reference checks are often undertaken informally through the use of prior knowledge of alumni, or through conversations with CNSC colleagues to determine if individuals are appropriate for the job. The audit found that these discussions are seldom documented or kept on file. While management indicated that there is little risk of hiring alumni with a poor reference, given the small CNSC community, there is value in documenting that reference checks were conducted to confirm qualifications and organizational fit. This would equip the CNSC to respond to queries from non-selected Alumni Program participants.

### **Recommendation #3:**

It is recommended that HRD ensure that all necessary actions related to the decision making process of staffing are documented and the documentation is kept on file and appropriately substantiated to demonstrate that the organization is transparent and can support its decision making.

### **Management response and action plan**

HRD agrees with this recommendation. A summary rationale and the results of reference checks undertaken to confirm qualifications and organizational fit will be added to the documentation currently maintained on file (i.e. description of the responsibilities to be undertaken, a curriculum vitae, and the results of a security and medical check, as required).

Completion Date: April 1, 2016

### **Selection of Alumni participants is supported by required documentation and approvals.**

The auditors examined 43 staffing files, covering the period from November 30, 2012 to November 30, 2014, to assess if alumni hiring decisions are supported by appropriate documentation and approvals. The examination of the staffing files identified the following:

- Several files (33 percent of the files tested) did not contain the alumni inventory search results to demonstrate the available talent for fulfilling the position.
- Several files (16 percent of the files tested) did not contain an assessment of a candidate's resume vs. the job requirement.
- Several files (95 percent of the files tested) did not contain the results of the reference checks of the alumni hired.

HR-RHRP management indicated that the criteria are not required for hiring members of the Alumni Program. As per tests, these criteria were used and complied in the majority of cases.

In addition, the auditors found that there is no documented process to ensure an equitable, objective distribution of work among the qualified Alumni Program participants. Given that the hiring manager has the discretion to select their desired candidate, this could potentially result in favouritism and a disproportionate amount of work granted to a select few alumni. Human resources management indicated that while the CNSC is under no obligation to equitably distribute work, it should be in a position to provide clear rationales for the hiring of one alumni participant over another if questioned. The rationale should address how a chosen candidate met the qualifications and represented the best organizational fit at the time of hire. The auditors believe that the equitable distribution of work is part of the staffing policy's fairness value. In addition, decisions made by public servants have to be fair, transparent and withstand public scrutiny. Documenting the rationale for decisions would help the CNSC in this endeavour.

#### **Recommendation #4:**

It is recommended that:

HRD ensures its staffing files are adequately and sufficiently documented to demonstrate that the process is open, fair, transparent and appropriate and demonstrates that the candidate has been selected objectively.

#### **Management response and action plan**

HRD agrees with this recommendation. A summary rationale and the results of reference checks undertaken to confirm qualifications and organizational fit will be added to the documentation currently maintained on file (i.e. *description of the responsibilities to be undertaken, a curriculum vitae, and the results of a security and medical check as required*). *The documented rationale will address how a chosen candidate meet the qualifications and represents the best organizational fit at the time of the hire.*

Completion date: April 1, 2016

#### **Contracting with CNSC alumni or other former public servants is conducted in a manner consistent with the TB contracting policies (including the *Government Contracts Regulations*) and the *CNSC Contacting Policy*.**

The auditors examined 123 contracting files covering the period from April 1, 2010 to November 30, 2014 to assess if the engagement of FPS through contracting is supported by the required documentation and approvals. Audit results demonstrated that internal controls are generally in place. The audit also found that requirements

to retain supporting information in contracting files and to document all decisions and actions were not always adhered to. The following text outlines key observations from the examination of contracting files.

The Treasury Board's Contracting Policy Notice issued on October 31, 2012 indicates that officials are advised to ensure that bid and contract documents include clauses asking FPS in receipt of a pension to self-identify. The auditors' examination of the documents that are kept in the contracting files found that some of the files included the required FPS self-identification on file. It was apparent that the information was available to the Contracting Officer to conduct the "assessment of retirement waiting period" for 47 percent of the files assessed although the documentation of a self-declaration may not be present in a particular form as would be expected following the policy notice issued on October 31, 2012.

The assessment of the retirement waiting period for FPS, as well as the assessment, if applicable, of the related fee abatement and its calculation for contractors retired less than one year was not always documented on file (53 percent and 65 percent of the files tested, respectively). Contract Management Services informed the auditors that the assessment was at times conducted informally and that the information is not routinely captured on file. Contracting Management Services also indicated they are continuously improving their internal practices, which now include (as of fiscal year 2012–13) a more detailed checklist that captures this required information.

The audit further noted that 23 of 123 contract files did not include an approved contract request form in support of procurement. Contract Management Services indicated that as of 2013–14, contract request forms are completed and retained on file with the necessary approvals.

Consistent with the staffing files examined, the audit noted that a documented determination of security level demonstrating the alignment to the security requirements of the work as well as a confirmation of a valid security clearance were not always kept on the contracting file when required. Since September 2013, a security requirements checklist is required to be completed and signed by the contract requestor and documented on file along with the confirmation of the valid security clearance as applicable.

The audit further noted that an assessment of the employer/employee relationship was not always documented (85 percent of the files tested) in the contracting files. Contract Management Services has indicated that the assessment of the relationship is left up to the contracting officer, in accordance with its risk management framework for contract management section and procurement. This criterion has been part of the contracting checklist since 2012 and was presented by the Contract Management section to the Contracts Review Committee in 2011, 2012 and 2015.

In addition, the documented justification for the selection of a contractor to fulfill a contracting requirement should be captured on file. This justification was expected to include the results of the contractor resume/profile in comparison to the contract requirement. Although the criteria have been part of the contracting checklist since 2012, the audit found that the assessment was not included in 54% of the files tested. While the requirement to document the selection assessment applies to all contracts, the audit team noted that most of the files analyzed were non-competitive contracts under \$25,000, and the assessment was not done/or on file.

The auditors appreciate that reference checks often do not apply to competitive contracts, as there are mandatory and rated requirements in the bid solicitation documents. For non-competitive contracts, a reference check should be considered. The audit found that reference checks are often undertaken informally and not consistently documented (69 percent of the files tested did not include this documentation) on the contracting files.

The documentation for the contracting files was kept in the files themselves, or elsewhere such as an email directory or an electronic database. Contract Management Services has indicated that, since 2012, they have increased their efforts to document the decision-making process in the contracting file and in e-Docs. Incomplete documentation in the contracting files supporting the decision making process increases the risk that the CNSC may be unable to demonstrate that they are operating in an open, fair and transparent manner.

Overall, some expected elements of documentation are missing from contracting files. Following discussions with Contract Management Services, it was indicated that the various requirements have been done but not always kept on file or referenced in the contract files. In order to withstand public scrutiny (open, fair and transparent), files must be complete to substantiate the decisions made by CNSC officers and appropriately documented and kept on file or referenced.

**Recommendation #5:**

It is recommended that the Accounting, Controls and contract Management Division of FAD ensures that:

- a. the oversight of the contracting administrative process and its contracting files are formally documented to support the decision and approval process and ensuring the associated documents are retained; as required
- b. the checklist utilized is reviewed regularly to ensure it is complete, and that files are reviewed for completeness prior to contract award
- c. consideration be given to incorporating reference checks into the process/procedures for non-competitive contracts



## **Management response and action plan**

FAD agrees with the recommendation.

- a. The result of the audit indicated that internal controls are generally in place. The audit was performed over the period April 2010 to November 2014 and a number of process and file documentation improvements were implemented over that period. A number of issues identified have been dealt with through the introduction of new administrative measures over the audit period. As a result, the risk associated with the recommendations is low. ACCMD will review its file documentation procedures and assess whether the changes implemented during the past few years are sufficient to ensure that contracting decisions, the approval process and associated documents are retained as per policy requirements. Changes will be made as appropriate based on an analysis of residual risk. This is planned to be completed by the end of October 2016. ACCMD will review the contract file checklist to ensure it is complete and consider implementing (based on an analysis of risk) a pre-contract award review of service contract files over \$10K (including tax) to ensure documents are retained on the contract file to support the decision and approval process. This is planned to be completed by the end of June 2016.
- b. ACCMD will consider incorporating a requirement in contracting guidance documents for clients to conduct reference checks on contractors prior to contract award for service contracts over \$10K (including tax) based on the Contract Management Services consideration of risk, which would include the contractor's previous employment and contracting history with the CNSC. This is planned to be completed by the end of June 2016.

### **CNSC complies with the TBS guidelines regarding the proactive disclosure of contracts with former public servants.**

The Treasury Board's Contracting Policy Notice 2012-2 requires the reporting of agreements entered into with FPS in receipt of a pension. The Treasury Board Secretariat requires quarterly reports to be made to the Minister, through the CNSC President, of all FPS hired by the organization (contracting or through employment). It also requires proactive disclosure to be documented and listed in a report to the President, and an annual overview of FPS needs to be identified to the President.

The audit assessed the process to capture the relevant information for the above-noted three reporting requirements. The audit did not identify a process gap in gathering or presenting the information, and is of the opinion that the process followed is sound. The reports, however, were not assessed for accuracy or completeness.

**2.2 Line of enquiry #2: Effective mechanisms exist for measuring, monitoring, assessing and reporting on the results of the Alumni Program.**

As with any program implemented by organizations such as the Alumni Program, it is good practice to review them on a regular basis to gauge their effectiveness, monitor and measure their progress accordingly.

To assess the effectiveness of the Alumni Program and its reporting capabilities the audit examined relevant program documents and interviewed key stakeholders involved in the process.

### **2.2.1 The Alumni Program has clearly defined and communicated objectives that include the outcomes desired from the Program.**

The CNSC Alumni Program states that the “objective of the Program is to allow managers to retain the services of retirees who may possess certain specialized skills, technical knowledge or important corporate memory thus providing the opportunity for them to pass along this knowledge through training, mentoring or coaching other employees. These individuals may be engaged to address periods of high workload, unexpected absences or to undertake short-term projects. HRD management has indicated<sup>4</sup> that the Program was implemented to provide managers with access to a ready source of tested talent through term employment or contracts, and assist in the mentoring of employees and thus contributes to succession management efforts by transferring knowledge.

The Alumni Program represents a key element in CNSC succession planning efforts to retain access to specialized technical skills and knowledge. It is important because while the workforce turnover rate has declined over the last three years, projected retirements are expected to rise<sup>5</sup>.

Participation in the Alumni Program is offered to all CNSC employees upon retirement. As of March 2014, fifty-seven (57) former CNSC employees<sup>6</sup> were part of the Alumni Program inventory. Management has indicated that as of December 2013, the CNSC had spent \$1.2M in term salaries and \$1.15M on contracts. Sixty-two unique term appointments were granted and 47 different contracts were awarded.

### **2.2.2 Effective mechanisms exist for measuring, monitoring and reporting on the use and results of the Alumni Program.**

HRD management has indicated that the CNSC’s focus to date has been on the effectiveness of procedural staffing requirements (such as the term’s duration, term renewals, nature of the work, etc.). HRD management indicated that it monitors Alumni Program activities and pays attention to repeated employment terms involving one individual. If necessary, these are highlighted or discussed. It was further indicated that HRD does not monitor accountability against outcomes described in the work request, as this is the hiring manager’s responsibility. HRD does not evaluate the effectiveness of knowledge transfer – which is at the heart of the program – in support of the succession and knowledge transfer objective.

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<sup>4</sup> Presentation to the Management Committee by Human Resources (HRD) on March 6 2014.

<sup>5</sup> For example, 38 percent of REG7 and 23 percent of REG6 employees will be eligible to retire by fiscal year 2019–20.

<sup>6</sup> As of October 2015, HRD estimates that 57 retirees are part of the Alumni Program.

HRD management has indicated that the Alumni Program's staffing activities are reported annually to CNSC management through the Annual Staffing Report and HR Dashboard. HRD management has also noted that information related to knowledge transfer is not captured sufficiently enough for conclusions to be drawn on the Alumni Program's effectiveness and whether objectives are being met.

HRD management recognizes the need to monitor the use of the Alumni Program to ensure that it is being used as it was intended and to explore how CNSC monitors the effectiveness of the Alumni Program mechanism to transfer knowledge and to build the needed capability pursuant to the objectives of the Alumni Program. Furthermore, the need to continue to rigorously monitor the employment of and contracting with former CNSC employees to ensure that it continues to meet CNSC's obligations with respect to employment and contract policies and practices are recognized. However, the plan to develop an approach to assess the overall effectiveness of the Alumni Program, including knowledge transfer this fiscal year, by HRD did not materialize as planned.

Overall, it was indicated by HRD management that there is no formal process to periodically review the Alumni Program and that metrics or criteria have not been established to allow for a periodic S.M.A.R.T.<sup>7</sup> review of the Program or to evaluate its overall success. The auditors note that without established performance criteria for the Alumni Program, which are specific and measurable, CNSC management will not be able to assess the Alumni Program objectively and determine whether the objectives of the Alumni Program are being met and whether desired benefits are achieved through the Program.

**Recommendation #6:**

It is recommended that HRD undertakes a S.M.A.R.T. assessment of the Alumni Program to ensure it is achieving its original objectives and specific, measureable, realistic, and timely benefits are achieved.

**Management response and action plan**

HRD agrees with the recommendation. An assessment will be undertaken in FY 2016–17 to determine how best to incorporate measurable knowledge transfer objectives at the time of hire.

Completion date: February 1, 2017

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<sup>7</sup> SMART: Specific, Measurable, Achievable, Realistic and Timely

### **3. Overall Conclusion**

There is an established management framework in place, designed to promote general oversight, accountability, risk management and control over CNSC's hiring through the CNSC Alumni Program and engagement of FPS through contract. There is an opportunity to strengthen the existing controls and opportunities to update, augment, and enhance the level of documentation to capture the key elements of the decision making process.

It is recommended that appropriate actions be taken to ensure that the audit recommendations are addressed to strengthen the internal controls and ensure fairness, transparency, accountability and avoid the perception of favoritism.

We would like to acknowledge and thank management and staff, for their support throughout the conduct of this audit.

## **Appendix A: Lines of enquiry and audit criteria**

### **Line of enquiry #1: Engagement of retired employees complies with relevant policies**

#### **1.1 The Alumni Program has clearly defined guidelines and procedures that are aligned with CNSC staffing policy and, as necessary, Treasury Board contracting policies.**

- 1.1.1. The Alumni Program has clearly defined guidelines and procedures.
- 1.1.2. The guidance procedures are aligned with CNSC staffing policy and Treasury Board contracting policy and related regulations.
- 1.1.3. The alignment of guidance procedures is periodically assessed.

#### **1.2 Management controls are effective in ensuring CNSC's engagement of former public servants complies with CNSC staffing policy and CNSC and TB contracting policies.**

- 1.2.1. Alumni hiring is conducted consistent with the CNSC staffing policy framework.
- 1.2.2. Alumni hiring decisions are supported by required documentation and approvals (job-level analysis, candidate assessment against job requirements and statement of qualifications, reference checks).
- 1.2.3. Contracting with CNSC alumni or other former public servants is conducted in a manner consistent with the TB contracting policies (including the *Government Contracts Regulations*) and the CNSC Contracting Policy.
- 1.2.4. CNSC complies with the TBS guidelines regarding the proactive disclosure of contracts with former public servants.

### **Line of enquiry #2: Effective mechanisms exist for measuring, monitoring, assessing, and reporting on the results of the Alumni Program.**

- 2.1 The Alumni Program has clearly defined and communicated objectives that include the outcomes desired from the program.
- 2.2 Effective mechanisms exist for measuring, monitoring and reporting on the use and results of the Alumni Program.

## Appendix B: Audit recommendations and management action plan

The following table presents a summary of the recommendations and management action plans (MAP) raised in section 2 (Observations and recommendations) of the report:

Action owner (office of primary interest)	Management response and action plan	Timeline
<p><b>Recommendation #1:</b></p> <p>It is recommended that the Accounting, Controls and Contract Management Division of FAD ensures:</p> <ul style="list-style-type: none"> <li>a. that the review of the contracting policy is undertaken according to the FAD plan to ensure modifications are made and implemented on a timely manner</li> <li>b. that the TB Policy elements are integrated into the CNSC relevant policies and/or guidelines</li> </ul>		
<p><b>Management action plans:</b></p> <p>FAD agrees with the recommendation.</p> <p>The audit found no instances of policy misalignment with TB policy titled Contracting with Former Public Servants as well as select relevant sections in the Treasury Board Contracting Policy.</p> <ul style="list-style-type: none"> <li>a. As mentioned in this report, FAD is currently reviewing and updating the CNSC Contracting Policy. Completion date: March 31, 2016</li> <li>b. This review will also ensure that mandatory requirements of Treasury Board policy are integrated into relevant CNSC Contract Management Services policy and guidance documents. Completion date: October 31, 2016</li> </ul>		

**Recommendation #2:**

It is recommended that:

- a. the OAE updates the List of Prohibited Securities Directive on a regular basis (e.g., annually)
- b. the Accounting, Controls and Contract Management Division of FAD conducts a review of the COI clauses with the bid solicitation and contracting clauses to ensure ongoing alignment with COI policy and avoid situation giving rise to a conflict of interest

**Management action plans:**

- a. The OAE agrees with the recommendation to have the list of prohibited securities in the *Directive on Reporting and Managing Financial Conflicts of Interest* by March 31, 2016. It will then be updated by March 31 of each subsequent year.
- b. FAD agrees with the recommendation.

FAD conducted a review of its bid solicitation and contracting clauses in 2013 and, in collaboration with the Office of Audit and Ethics, aligned them with the last revision of the CNSC Policy on Conflict of Interest (COI) requirements as updated in 2012.

In collaboration with the Office of Audit and Ethics, FAD commits to the conduct of a review of the CNSC specific COI bid solicitation and contracting clauses by the end of June 2016 to ensure alignment with relevant TB and CNSC's Policy on COI.

**Recommendation #3:**

It is recommended that HRD ensure that all necessary actions related to the decision making process of staffing are documented and the documentation is kept on file and appropriately substantiated to demonstrate that the organization is transparent and can support its decision making.

**Management action plan:**

HRD agrees with this recommendation. A summary rationale and the results of reference checks undertaken to confirm qualifications and organizational fit will be added to the documentation currently maintained on file (i.e. description of the responsibilities to be undertaken, a curriculum vitae, and the results of a security and medical check as required).

Completion date: April 1, 2016



**Recommendation #4:**

It is recommended that:

HRD ensures its staffing files are adequately and sufficiently documented to demonstrate that the process is open, fair, transparent and appropriate, and demonstrates that the candidate has been selected objectively.

**Management action plan:**

HRD agrees with this recommendation. A summary rationale and the results of reference checks undertaken to confirm qualifications and organizational fit will be added to the documentation currently maintained on file (i.e. description of the responsibilities to be undertaken, a curriculum vitae, and the results of a security and medical check as required). The documented rationale will address how a chosen candidate meet the qualifications and represents the best organizational fit at the time of the hire.

Completion date: April 1, 2016

**Recommendation #5:**

- a. The Accounting, Controls and Contract Management Division (ACCMD) should ensure that the oversight of the contracting administrative process and its contracting files are formally documented to support the decision and approval process, and should also ensure the associated documents are retained, as required.
- b. ACCMD should review the contract checklist regularly to ensure that it is complete, as well as review files for completeness before a contract is awarded.
- c. ACCMD should consider incorporating reference checks into the process/procedures for non-competitive contracts.

**Management action plans:**

FAD agrees with the recommendation.

- a. The result of the audit indicated that internal controls are generally in place. The audit was performed over the period April 2010 to November 2014 and a number of process and file documentation improvements were implemented over that period. A number of issues identified have been dealt with through the introduction of new administrative measures over the audit period. As a result, the risk associated with the recommendations is low. ACCMD will review its file documentation procedures and assess whether the changes implemented during the past few years are

sufficient to ensure that contracting decisions, the approval process and associated documents are retained as per Policy requirements. Changes will be made as appropriate based on an analysis of residual risk. This is planned to be completed by the end of October 2016.

b. ACCMD will review the contract file checklist to ensure it is complete and consider implementing (based on an analysis of risk) a pre-contract award review of service contract files over \$10K (including tax) to ensure documents are retained on the contract file to support the decision and approval process. This is planned to be completed by the end of June 2016.

c. ACCMD will consider incorporating a requirement in contracting guidance documents for clients to conduct reference checks on contractors prior to contract award for service contracts over \$10K (including tax) based on the Contract Management Services consideration of risk, which would include the contractor's previous employment and contracting history with the CNSC. This is planned to be completed by the end of June 2016.

**Recommendation #6:**

It is recommended that HRD undertakes a S.M.A.R.T. assessment of the Alumni Program to ensure it is achieving its original objectives and specific measurable realistic and timely benefits are achieved.

**Management action plan:**

HRD agrees with the recommendation. An assessment will be undertaken in FY 2016–17 to determine how best to incorporate measurable knowledge transfer objectives at the time of hire.

Completion date: February 1, 2017

## Appendix C: Acronyms

ACCMD	Accounting, Controls and Contract Management Division
Alumni	The term Alumni is used to define an individual who was previously employed by CNSC.
BORIS	CNSC's Intranet
CAD	Canadian
CNSC	Canadian Nuclear Safety Commission
COI	conflict of interest
CRF	contract request forms
FPS	former public servants
FAA	<i>Financial Administration Act</i>
FAD	Finance and Administration Directorate
HR	Human Resources
HRD	Human Resources Directorate
MAP	Management Action Plan
OAE	Office of Audit and Ethics
OAG	Office of Auditor General
RBAP	Risk Based Audit Plan
RHRPD	Resourcing and Human Resources Planning Division
SMART	specific, measurable, achievable, realistic and timely
TB	Treasury Board
TBS	Treasury Board Secretariat

## Appendix D: List of individuals interviewed

Robin Butler	Director, Human Resources Directorate
Sarah Latour	Chief, Contract Management Services
Daniel Delorme	Team Leader, Resourcing
Eileen Blenkarn	Human Resources Advisor
Alex Cassol	Senior Contracting Officer
Donald Bilodeau	Director, Contracting and Administration Division (retired)
Julie Touchette	Senior Human Resources Advisor
Nouhad Hammad	Ethics Officer